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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

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PRODUCER GOALS AND CONSUMER GOALS

Adapted from an address by HENRY A. WALLACE, Secretary of Agriculture, before the Consumers' Emergency Council, at New York City, March 6, 1937

IN A LARGE COUNTRY like the United States the democratic will expresses itself largely through great organizations. Most Americans, therefore, believe simultaneously in corporations, in labor unions, and in farm organizations. They believe in these great organizations, even though at one time or another each type has abused its power.

The corporate form of organization has made it possible for hundreds of thousands of individuals, over long periods of time, to cooperate in hiring labor, building factories, distributing goods, and making profits. Corporate powers were obtained from government; results, on the whole, have been good although abuses have been many.

Organized labor and agriculture, arriving on the scene more recently, have been somewhat less successful than corporations in obtaining Federal power to determine prices, wages, and production policies. Both organized agriculture and organized labor, in their use of collective power granted in part by the Federal Government, have at times shocked the general public somewhat as have the corporations.

Consumer organizations have thus far had little influence in State or Federal legislation. In young nations, and especially in times of falling prices, producer organizations trying to get more income for farmers, laboring men, or businessmen can make a much stronger appeal than can consumer organizations. Most of us are producer-minded, not consumer-minded. But this can change rapidly if the cost of living should rise another 20 or 30 points.

HIGH-LIVING COSTS FOUGHT

Beginning about 1910 and continuing until the war absorbed our attention, consumers in the United States talked and fought a great deal about the high cost of living. Consumers were not effectively organized, but instinctively they gradually aroused themselves to battle. Unorganized consumers have a blind and passionate interest in lower prices, just as unorganized producers have a blind and passionate interest in higher prices.

Beginning in late 1919 and continuing until 1921, there was a destructive and rapid fall in prices that hurt not only the producing groups but the consumers themselves. Millions of women who had protested against high prices saw husbands, brothers, or fathers suffering from unemployment, reduced wages, business losses, or farm bankruptcy as a result of the price smash of 1921.

When consumer groups finally obtain bargaining power as effective as that of producer groups, I trust that power will be used with the thought that most consumers are either themselves producers or closely affected by producers. If consumers keep this in mind, they will not strike out in blind passionate fury and thus cause themselves, in the long run, more harm than good. It is easy to cater to consumer resentment by preaching doctrines which apparently are on behalf of consumers but which are so short-sighted that they often cause consumers, within a year, most serious trouble.

I have seen a corresponding thing take place with respect to producer groups. It is easy to preach short-sighted goals to farmers. Many business magazines do the same thing for business, and corresponding processes take place in labor. But producer and consumer organizations are becoming more representative, more powerful, and more fully equipped with State and Federal laws to back up their bargaining positions, and it becomes increasingly necessary to think more broadly than we have been thinking.

LOW PRICES NOT, IN THEMSELVES, BENEFICIAL

Consumers must realize that lower prices, of themselves alone, will not benefit consumer welfare unless other things also are brought to pass, because sometimes lower prices mean lower wages, less income for farmers, and reduced business profits. In like manner producers must realize that higher prices alone can easily bring about a situation in which increased income to the producer as a producer will be more than offset by increased cost to him as a consumer.

If businessmen could raise their prices by keeping production materially less than demand, if laboring men could increase wages by cutting down on the hours per week, and if farmers could increase their prices by reducing their production, the combined efforts of the three groups might result in a descending spiral of less and less goods produced, with more and more money received for the smaller quantity, which is logically absurd.

But with all groups powerfully organized, if they press their advantage selfishly, the only force to check the descending spiral is blind consumer resentment such as we saw in 1920, the fear of Government regulation, or such increased productivity as might result from new technological methods.

It is unfortunate that businessmen, farmers, laboring men, and consumers should think exclusively in terms of prices and wages per hour. A tremendous advance in the national psychology will have been made when producers realize that higher prices will not solve their problems and when consumers realize that lower prices will not solve their problems.

It should be recognized, of course, that the general price level should be as steady as possible. If we are to have an ascending spiral of real wages for labor, real prosperity for agriculture and business, it is important to think more of increased and balanced production.

At this point producer and consumer goals become identical. Only a real increase in the total quantities of useful things produced can bring any fundamental solution of consumers' problems. For producers this means a larger total income in terms of real purchasing power, provided the increased dollars means more goods and jobs to be divided among us all on a basis that can be continued year after year.

FORMULA FOR BALANCED PRODUCTION

The formula which seems to me best to express the united goal of producers and consumers is this:

Increased and balanced production of those goods we all need and want, at prices low enough to move such goods into consumption but high enough to keep them coming, without destroying our natural resources or our democratic processes. Obviously it is necessary, either through interindustrial planning by business, or through cooperative planning between business and Government, or through Government pressure at key spots and at the right time, to bring about such distribution of the national income that consumer purchasing power will more continuously equal producing power. Producers' goods must not be allowed to run too far ahead of consumers' goods in times of prosperity, as they tend to do. The problem of increased production is one of continuous progressive balance, not only among business, labor, and agriculture, but also between production and consumption.

Just now the various groups are well balanced, although total national productivity is not nearly so great as it might and can be within another year or two. There is every prospect, if we have ordinary weather and no unusual disturbance, such as international war, that the productivity index of the United States 2 or 3 years hence will be 20 percent and possibly 30 percent greater than it is now. Expanding the productivity of the right kind of things should bring a higher standard of living for us all. Though prices go up somewhat, we should all be better off if the average annual income of the different producing and consuming groups will buy more goods.

NO MAGIC SHORT CUT TO BALANCE

The most practical action by both consumers and producers conforms to the formula of increased and balanced production, with prices, wages, consuming purchasing power, savings, taxes, governmental expenses, etc., appropriately adjusted from time to time to promote increased balanced production safely and continuously. Groups that recognize this formula will succeed in their policies in the long run and those that do not recognize it will fail in the long run.

There is no magic short cut to balance. The democratic process of give and take is needed week by week and year by year. Each organized group is familiar with the technical details of its problems and the adjustments that must be made. If each group, in making these adjustments, keeps in mind the formula for the general welfare, the result is certain to be continuously happy.

But the problem is not simple. Fitting all the economic parts together into a smoothly functioning national whole is infinitely complex. In the sample society of 100 years ago, when most business was conducted without corporations, and there were no labor unions or farm organizations in the modern sense of the terms, the "fitting-together process" was performed almost automatically, without particular thought by anybody. But today there are continuous thought and action by the managements of great corporations, by the leaders of union labor and by the leaders of farm organizations. There are thought and action by the Government itself.

If these great organizations are to continue—and nearly all Americans want them to continue—they must serve the general welfare

more consciously and definitely, without abandoning the democratic process. This means that we must have infinitely more discussing and conferring than we have had. In the past many leaders of organized groups have acted against the general welfare simply because the people behind them had not given sufficient thought to what was going on.

The road ahead is long and difficult, but promising. To travel into the realm of balanced abundance, we must have more positive mechanisms for the general welfare. We must proceed democratically, but as rapidly and efficiently as education and experience show us the way.

It seems to me that the farm program we have been developing since 1933 has more and more been pointing the way toward the kind of national program we need. In this program we have steadily tried to increase farmers' purchasing power for industrial products, and meanwhile to make sure that there is a sufficient supply of farm products for normal consumption, while at the same time the fertility of our soil was protected. We have thought of our farm program as part of a balanced whole.

Most important, the objectives of the program have been realized by means of popular representation through group action. The county farm committees point the way toward the principles of economic democracy in action. These committees are elected by farmers and interpret to farmers, in terms of action, the policies arrived at through consideration of national and international supply and demand.

PROTECT BOTH FARMERS AND CONSUMERS

To protect both farmers and consumers more effectively, it is essential that there be added to the present program a more definite provision for continuous maintenance of the ever-normal granary, which looks toward using the storage principle to provide a more stable supply of farm products and a more stable price from year to year.

No matter how fully the farm program is worked out, and no matter how deeply farm people may desire to furnish abundant food to people in the cities, the final result will be imperfect unless city people are more definitely organized to obtain continuous productive employment for all able-bodied persons who want to work. It is not enough for city people to seek fair wages, fair prices, and fair trade practices. Also, there must be continuous balanced expansion of production with consumer-goods industries continually in step with producer-goods industries.

I am putting before consumer organizations a real challenge, which should be easier for them to meet than for specialized producers who have always confined their attention chiefly to getting as many dollars as possible for one particular product, while consumers necessarily think of many products and come from many walks of life.

I have felt it important to impress upon organized consumers the necessity of thinking not only about specialized consumer problems, but also about the formula for the general welfare: Increased balanced abundance, so attained that we can keep steadily on the upgrade, minimizing the excesses of depression and prosperity, and centering our efforts always around an increasing production of the things we really need and want.